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CENTRAL INTELLIGENCE AGENCY

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INFORMATION REPORT

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SUBJECT Nationalist Military Situation in Shanghai

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1. The Nationalist defense plan* which was decided upon while the Peiping peace negotiations were taking place called for a defense line in the Nanking-Shanghai-Hangchow triangle, with an ultimate stand to be made in the Shanghai area. The evacuation of Nanking was to have been part of a planned retreat along this line. The Nationalist withdrawal from Hangchow was to have been made to the Shanghai vicinity for a last-ditch stand.** Airfields are included in the Shanghai defense perimeter.

2. Crack Kuomintang troops are now being brought to Shanghai from Taiwan and Canton. Generalissimo CHIANG Kai-shek is still in Shanghai and plans to remain for four or five days more, conferring with top military leaders. The presence of the Generalissimo is one reason for the good morale among the local military.***

3. The Shanghai military is commandeering civilian transportation in the Hongkew district, and there is a noticeable influx of troops. The military is beginning to occupy downtown luxury hotels.

4. Fukien conscripts are being transported to the Pescadores to reinforce the garrison there. The Chinese Air Force is to station a squadron in the Pescadores.

C-3 5. The Generalissimo is presently in the Point Island district in Shanghai, holding conferences concerning the defense of Shanghai. His entourage includes his sons, Ching-kuo and Wei-kuo, together with a large number of Kuomintang Bureau of Information and Statistics members and his personal bodyguard.

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* Comment. TANG En-po's withdrawal to Shanghai was a contributing factor in the Nationalist evacuation of Nanking. See

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** Comment. Equipment and morale of the Nationalist troops now in Shanghai appear to be better than average. Civilian evacuation is heavy, with the resale value of black market plane tickets now raised considerably. For example, Shanghai to Hong Kong tickets previously selling for US\$60 now sell for US\$150.

*** Comment. claims that the presence of the U. S. Navy in Shanghai waters would have been important for the morale of the Nationalist forces.

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